



File

Inter-Provincial Diversified
Holdings Limited

1977 ANNUAL REPORT

Officers

Joseph Frieberg
President

Robert Scolnick
Vice-President

William Zimmerman
Secretary

Board of Directors

Joseph Philip Dawson

Joseph Frieberg

Murray Frieberg

Murray Joseph Howe

Robert Scolnick

William Hewson Zimmerman

Auditors

Thorne Riddell & Co.
Toronto, Ontario

Head Office

Hwy. #7 and Keele Street
Concord, Ontario

Shares Listed

Common
Toronto Stock Exchange

Registrar and Transfer Agent

The Canada Trust Company
Common Shares

HIGHLIGHTS

	1977	1976
Income	\$ 264,304	\$ 259,254
Earnings:		
Before extraordinary items	529,735	478,421
Extraordinary items	136,867	(6,176)
Net earnings	666,602	472,245
Earnings per share:		
Before extraordinary items	50c	41c
Net earnings	64c	40c
Total assets	8,096,990	8,035,296
Shareholders' equity	5,355,133	4,776,961
Common shares outstanding	1,180,251	1,180,251
Equity per common share	4.54	4.05

HOWMARK OF CANADA

Twelve Months Ended December 31

Sales	\$7,606,675	\$6,665,587*
Net Earnings	121,911	197,442*

STEINTRON INTERNATIONAL ELECTRONICS LTD

Twelve Months Ended December 31

Sales	\$61,520,556	\$50,289,416
Net Earnings	950,724	1,079,146

UNITED TIRE & RUBBER CO. LIMITED

Twelve Months Ended December 31

Sales	\$31,894,000	\$28,517,000
Net Earnings	729,000	134,000

* Comparative figures for 10 months

TO OUR SHAREHOLDERS

The Company enjoyed improved results for the 1977 year.

Consolidated net earnings were \$666,602 compared to consolidated net earnings of \$472,245 in 1976.

Operating results of our affiliates showed satisfactory results in their sales and net earnings in 1977.

Steintron International Electronics Ltd. increased sales to \$61,520,000 for the 12 months ended December 31, 1977 from \$50,290,000 for the previous 12 months, an increase of 21.8%. Steintron operates a total of 12 House of Stein stores specializing in high fidelity audio products, and 34 Kelly Stereo Mart stores merchandising audio equipment and records. In addition, it operates 42 franchise stores. This is the largest network of fully integrated audio and record stores in Canada.

Howmark of Canada increased sales to \$7,606,000 for the 12 months ended December 31, 1977 from \$6,665,000 for the 10 months ended December 31, 1976. Net earnings, though, decreased to \$121,000 in 1977 from \$197,000 in 1976. Howmark is one of Canada's largest importers of footwear. Howmark also owns 75% of Olympia Shoe (1975) Ltd., a manufacturer of winter boots for men and women.

United Tire & Rubber Co. Limited increased sales to \$31,894,000 for the 12 months ended December 31, 1977 from \$28,517,000 in 1976, an increase of 11.8%. Consolidated net earnings were \$729,000 compared to \$134,000 in 1976. United Tire designs, manufactures, retreads, and services tires for the mining, forestry, construction, and transportation industries and is the only Canadian-owned manufacturing company in the tire industry.

In 1974 we entered into a partnership with an Edmonton-based real estate company, Tri-North Developments Ltd. to develop and subdivide industrial, commercial, and residential lots in Grande Prairie, Alberta. We have now sold all the lots in Phase I (53 acres) of the industrial subdivision at a satisfactory profit and we are now preparing to service the land in Phase II of the subdivision (82 acres).

We continue to be confident that in 1978 we can expect continued sales and earnings growth of our affiliated companies.

Joseph Frieberg
President

Robert Scolnick
Vice President

June 7, 1978

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

Consolidated Statement of Income

Year Ended December 31, 1977

	<u>1977</u>	<u>1976</u>
Income		
Share of partnership income	\$ 168,433	\$ 208,363
Interest and other income	95,871	50,891
	<u>264,304</u>	<u>259,254</u>
Expenses		
Interest on long-term debt	165,043	174,813
Other interest	144,951	49,967
Depreciation and amortization	21,176	4,159
Other expenses	169,527	173,687
	<u>500,697</u>	<u>402,626</u>
	(236,393)	(143,372)
Income taxes recoverable — subsidiary company	51,796	
	<u>(184,597)</u>	<u>(143,372)</u>
Share of earnings (losses) of effectively controlled companies before extraordinary items (note 2)		
Steintron International Electronics Ltd.	518,297	607,917
United Tire & Rubber Co. Limited	196,035	20,084
Resolute Holdings Limited		(6,208)
	<u>714,332</u>	<u>621,793</u>
Income before extraordinary items	<u>529,735</u>	<u>478,421</u>
Extraordinary items		
Gain on sale of land and buildings	23,013	
Loss on sale of securities		(31,348)
Share of extraordinary earnings of effectively controlled companies		
United Tire & Rubber Co. Limited	83,668	25,172
Steintron International Electronics Ltd.	30,186	
	<u>136,867</u>	<u>(6,176)</u>
NET INCOME	<u>\$ 666,602</u>	<u>\$ 472,245</u>
Earnings per share (note 10)		
Income before extraordinary items	\$.50	\$.41
Net Income	.64	.40
Fully diluted earnings per share		
Income before extraordinary items	\$.46	\$.37
Net Income	.58	.36

Consolidated Statement of Retained Earnings

Year Ended December 31, 1977

	<u>1977</u>	<u>1976</u>
BALANCE AT BEGINNING OF YEAR	\$3,525,945	\$3,065,800
Share of share issue expense of United Tire & Rubber Co. Limited		12,100
	<u>3,525,945</u>	<u>3,053,700</u>
Net Income	666,602	472,245
BALANCE AT END OF YEAR	<u>\$4,192,547</u>	<u>\$3,525,945</u>

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

as at December 31, 1977

ASSETS

Current Assets

	<u>1977</u>	<u>1976</u>
Accrued interest, dividends and accounts receivable	\$ 63,929	\$ 76,464
Mortgage proceeds receivable		210,000
Principal due within one year on 9% debentures	95,000	95,000
Prepaid expenses		2,405
	<u>158,929</u>	<u>383,869</u>

Investments

Common shares of effectively controlled company, at equity value (note 2)		
Steintron International Electronics Ltd.	4,543,995	4,111,729
Investment in United Tire & Rubber Co. Limited (note 2)	2,277,758	2,093,054
Partnership interests at equity value (note 3)		
I.C.D. -Tri-North Developments	409,443	317,921
Howmark of Canada	692,207	626,258
Other investments, at cost	12,010	12,010
	<u>7,935,413</u>	<u>7,160,972</u>

Fixed Assets (note 4)

<u>2,648</u>	<u>490,455</u>
<u>\$8,096,990</u>	<u>\$8,035,296</u>

Approved by the Board

Director *Joseph Frieberg*Director *Robert Scolnick*

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

as at December 31, 1977

LIABILITIES

Current Liabilities

	<u>1977</u>	<u>1976</u>
Bank advances (note 5)	\$1,169,104	\$1,257,650
Accounts payable and accrued liabilities	81,807	136,605
Loan payable	250,000	175,000
Mortgage payable		26,500
Deferred revenue		47,000
Taxes payable	40,946	92,298
Principal due within one year on long-term debt	250,000	3,982
	<u>1,791,857</u>	<u>1,739,035</u>

Long-Term Debt (note 6)

<u>950,000</u>	<u>1,519,300</u>
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SHAREHOLDERS' EQUITY

Capital Stock (note 7)

Second preference shares	200,000	250,000
Common shares	<u>1,245,198</u>	<u>1,245,198</u>
	<u>1,445,198</u>	<u>1,495,198</u>

Retained Earnings

<u>4,192,547</u>	<u>3,525,945</u>
<u>5,637,745</u>	<u>5,021,143</u>

Deduct cost of company's common shares purchased
(note 7)

<u>282,612</u>	<u>244,182</u>
<u>5,355,133</u>	<u>4,776,961</u>

<u>\$8,096,990</u>	<u>\$8,035,296</u>
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Contingent liabilities (note 8)

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED**Consolidated Statement of Changes in Financial Position****Year Ended December 31, 1977**

	<u>1977</u>	<u>1976</u>
Working Capital Derived From		
Decrease in non-current portion of 9% debenture receivable	\$ 95,000	\$ 95,000
Sale of investment		250,000
Sale of Resolute Holdings Limited operations		458,441
Proceeds on sale of land and buildings less mortgages assumed by purchaser of \$319,427	170,345	
	<u>265,345</u>	<u>803,441</u>
Working Capital Applied To		
Operations		
Loss before share of earnings (losses) of effectively controlled companies and extraordinary items	184,597	143,372
Share of undistributed earnings of partnerships	112,471	88,832
	<u>297,068</u>	<u>232,204</u>
Dividends received from effectively controlled companies	(134,015)	(115,102)
Depreciation and amortization and other non-cash items	(21,176)	(14,159)
	<u>141,877</u>	<u>102,943</u>
Reduction in non-current portion of long-term debt	250,000	250,000
Investments	17,800	575,272
Partnership interests	45,000	638,347
Second preference shares	50,000	50,000
Fixed assets purchased net of mortgages		170,221
Purchase of company's common shares	38,430	102,200
Loss on marketable securities		44,292
	<u>543,107</u>	<u>1,933,275</u>
Decrease In Working Capital Position	277,762	1,129,834
Working Capital Deficiency At Beginning Of Year	1,355,166	225,332
Working Capital Deficiency At End Of Year	<u>\$1,632,928</u>	<u>\$1,355,166</u>

INTER-PROVINCIAL DIVERSIFIED HOLDINGS LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 1977

1. Basis of Consolidation

The consolidated financial statements include the accounts of Inter-Provincial Diversified Holdings Limited and its wholly owned subsidiary companies, I.C.D. Realty Limited and Resolute Holdings Limited.

2. Effectively Controlled Companies

The company accounts for effectively controlled companies on the equity basis.

United Tire & Rubber Co. Limited

	1977	1976
Shares at equity value	\$2,090,258	\$1,810,554
1,014,200 Class A special shares		
111,111 7% Cumulative, convertible first preference shares		
400,000 10% Cumulative, convertible second preference shares		
9% Debentures maturing to June 1, 1981 (less principal included in current assets)	187,500	282,500
	<u>\$2,277,758</u>	<u>\$2,093,054</u>

The company's holdings of Class A special shares represent a 40.42% interest.

Steintron International Electronics Ltd.

The company holds 419,015 common shares (1976, 415,515 common shares) of Steintron which represent a 58% interest. Because the company is restricted in its ability to operate Steintron as a subsidiary, it is considered that the consolidation of Steintron's accounts with those of the company is not appropriate.

3. Partnership Interests

I.C.D.-Tri-North Developments

Under the partnership agreement of the subsidiary company, I.C.D. Realty Limited contributes two-thirds of the capital and shares equally in profits and losses. Land, both under development and held for future development, is the principal asset of the partnership.

Howmark of Canada

The company has a 50% interest in the earnings since inception.

4. Fixed Assets

	1977			1976
	Cost	Accumulated depreciation	Net	Net
Land				\$ 83,002
Buildings				403,833
Automobile and office equipment	\$50,916	\$48,268	\$2,648	3,620
	\$50,916	\$48,268	\$2,648	\$490,455

5. Bank Advances and Loan

The bank advances and loan are secured by a general assignment of book debts, the common shares representing the company's holdings in United Tire & Rubber Co. Limited and Steintron International Electronics Ltd., the debentures of United Tire & Rubber Co. Limited and an assignment of the company's 50% interest in Howmark of Canada.

6. Long-Term Debt

	1977	1976
12-1/4% Mortgage payable February 1, 1982		\$ 210,000
11-5/8% Mortgage payable November 1, 1980		113,282
Bank Loan	\$1,200,000	1,200,000
	1,200,000	1,523,282
Less principal included in current liabilities	250,000	3,982
	<u>\$ 950,000</u>	<u>\$1,519,300</u>

Interest is payable on the bank loan at the rate of 2% over prime.

The balance of the bank loan amounting to \$950,000 is due in 1979.

7. Capital Stock

Authorized

- 40,000 First preference shares of \$100 par value, issuable in series
- 200,000 Convertible second preference shares of \$1 par value (1976, 250,000 shares)
- 10,000,000 Class A shares without par value
- 2,040,000 Common shares without par value

	1977	1976
Issued		
200,000 Second preference shares (1976, 250,000 shares)	\$ 200,000	\$ 250,000
1,180,251 Common shares	1,245,198	1,245,198
	<u>\$1,445,198</u>	<u>\$1,495,198</u>

Notes to Consolidated Financial Statements (Continued)

Year ended December 31, 1977

7. Capital Stock — Continued

Common shares purchased

Year	Number of shares	Cost	Tax	Total
1974 and				
1975	60,000	\$126,246	\$15,736	\$141,982
1976	64,400	95,349	6,851	102,200
1977	27,400	37,986	444	38,430
	<u>151,800</u>	<u>\$259,581</u>	<u>\$23,031</u>	<u>\$282,612</u>

The company is required on or before April 30 in each year to set aside as a redemption fund for the redemption of second preference shares an amount equal to 10% of the aggregate par value of second preference shares issued. The aggregate par value of shares purchased for cancellation or converted into common shares shall be applied as a credit in satisfaction in whole or in part of any redemption fund payment. The second preference shares are convertible on the basis of two common shares for each five second preference shares. The company is required to redeem second preference shares to the extent that 50,000 second preference shares are not converted in each year.

In 1977, 50,000 second preference shares were redeemed, thereby reducing the authorized second preference shares by 50,000 shares.

The following options on common shares are outstanding:

10,000 shares at \$4 per share, expiring in 1978.

5,000 shares at \$4.50 per share exercisable within the period ending June 14, 1979.

25,000 shares at \$2.05 per share, expiring on October 24, 1978.

8. Contingent Liabilities

The company guarantees bank advances to I.C.D.-Tri-North Developments of \$200,000.

9. Income Taxes

At December 31, 1977, the company and its subsidiary companies have the following amounts available to reduce future years' income for tax purposes, the tax effect of which has not been reflected in the accounts.

Losses carried forward on a tax
filing basis available until
December 31:

1978	\$ 345
1979	146,057
1980	317,615
1981	106,716
1982	<u>251,205</u>
	821,938

Excess of undepreciated capital cost over net book value of fixed assets	<u>13,232</u>
	<u>\$835,170</u>

10. Earnings Per Share

Basic earnings per share have been calculated using the weighted monthly average method after giving effect to common shares purchased. Fully diluted earnings per common share assumes the conversion of preference shares and the exercise of share options.

11. Other Statutory Information

Remuneration of directors and senior officers (as defined by The Business Corporations Act) amounted to \$105,900 (1976, \$107,000).

Auditors' Report

To the Shareholders of
Inter-Provincial Diversified Holdings Limited

We have examined the consolidated balance sheet of Inter-Provincial Diversified Holdings Limited as at December 31, 1977 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination of Inter-Provincial Diversified Holdings Limited and its subsidiaries was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For companies accounted for by the equity method we have relied on the reports of the other auditors who have examined their financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
April 14, 1978

THORNE RIDDELL & CO.
Chartered Accountants

FIVE YEAR FINANCIAL REVIEW

	1977	1976	1975	1974	1973
Howmark of Canada*					
Sales	\$ 7,606,675	\$ 6,665,587*	\$ 6,658,275	\$ 5,907,271	\$ 5,545,741
Net earnings	121,911	197,442	266,594	195,593	(35,755)
Steintron International Electronics Ltd.					
Sales	61,520,556	50,289,416	41,249,142	27,613,368	18,739,000
Net earnings	950,724	1,079,146	907,323	1,161,470	929,000
United Tire & Rubber Co. Limited					
Sales	31,894,000	28,517,000	23,445,000	27,100,000	18,546,000
Net earnings	729,000	134,000	(2,005,000)	1,826,000	287,000

*10 months



Inter-Provincial Diversified
Holdings Limited